

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA

INDEPENDENT AUDITORS' REPORTS
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2009

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PLAINS AREA MENTAL HEALTH, INC.
BOARD OF DIRECTORS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Mike Donlin	President	2009
Val Droog	Vice-President	2010
Rev. Matthew Draffen	Secretary	2010
Wayne Meylor	Treasurer	2011
Patrick Murphy	Member	2010
Dennis Bennett	Member	2011
Barry Goettsch	Member	2011
Jay Bleil	Member	2011
Jason VanVactor	Member	2011
Jeffrey Hayes	Member	2011
Ann Mackrill	Member	2011
Patrick Schmitz	Executive Director	Indefinite

COUNTY BOARD LIAISONS:

Terry Graybill	Cherokee County Supervisor
Jim Henrich	Plymouth County Supervisor
Allen Hilker	Ida County Supervisor
Rhonda Ringgenberg	Buena Vista County Supervisor

INDEPENDENT AUDITORS' REPORT

Board of Directors
Plains Area Mental Health, Inc.
Le Mars, Iowa

We have audited the accompanying statement of financial position, of Plains Area Mental Health, Inc. (a nonprofit organization) as of June 30, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. Information for the year ended June 30, 2008 is presented for comparative purposes only and was extracted from the financial statements presented by fund for that year, on which an unqualified opinion dated August 27, 2008, was expressed.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Plains Area Mental Health, Inc. at June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated August 27, 2009 on our consideration of Plains Area Mental Health, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. The information on page 17 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the aforementioned financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

BURKHARDT & DAWSON, CPA's

Certified Public Accountants

August 27, 2009

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2009
WITH COMPARATIVE TOTALS FOR 2008

	2009			2008
	UNRE- STRICTED FUND	FURNITURE, FIXTURES AND EQUIPMENT FUND	TOTAL	TOTAL
ASSETS				
CURRENT ASSETS:				
Cash on Hand	\$ 2,700	\$ 0	\$ 2,700	\$ 1,193
Cash in Savings and Money Market Funds	533,357	478	533,835	34,726
Accounts Receivable, Net of Allowance for Doubtful Accounts and Rate Adjustments of \$168,800 and \$154,300 at June 30, 2009 and 2008, Respectively	142,818	0	142,818	191,909
Other Receivables	35,284	0	35,284	166,205
Grant Receivables	17,980	0	17,980	13,890
Prepaid Expenses	885	0	885	979
Marketable Securities	<u>20,855</u>	<u>0</u>	<u>20,855</u>	<u>20,217</u>
TOTAL CURRENT ASSETS	<u>\$753,879</u>	<u>\$ 478</u>	<u>\$754,357</u>	<u>\$429,119</u>
FURNITURE, FIXTURES AND EQUIPMENT:				
Leasehold Improvements	\$ 0	\$ 29,831	\$ 29,831	\$ 29,831
Office Furniture and Equipment	<u>0</u>	<u>293,975</u>	<u>293,975</u>	<u>214,070</u>
TOTAL	\$ 0	\$323,806	\$323,806	\$243,901
LESS - Accumulated Depreciation	<u>0</u>	<u>202,331</u>	<u>202,331</u>	<u>185,074</u>
NET FURNITURE, FIXTURES AND EQUIPMENT	<u>\$ 0</u>	<u>\$121,475</u>	<u>121,475</u>	<u>\$ 58,827</u>
OTHER ASSETS:				
Investments	\$ 11,000	\$ 0	\$ 11,000	\$ 11,000
TOTAL ASSETS	<u>\$764,879</u>	<u>\$121,953</u>	<u>\$886,832</u>	<u>\$498,946</u>

See accompanying notes to financial statements

	2009			2008
	UNRE- STRICTED FUND	FURNITURE, FIXTURES AND EQUIPMENT FUND	TOTAL	TOTAL
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts Payable	\$ 40,898	\$ 0	\$ 40,898	\$ 34,562
Deferred Grant Revenue	157,758	0	157,758	0
Payroll Taxes Payable	10,290	0	10,290	8,434
Accrued Salaries	79,473	0	79,473	69,070
Accrued Pension				
Payable	858	0	858	12,977
Accrued Interest Payable	0	0	0	183
Current Maturities of				
Long Term Debt	<u>0</u>	<u>0</u>	<u>0</u>	<u>15,000</u>
TOTAL CURRENT LIABILITIES	<u>\$289,277</u>	<u>\$ 0</u>	<u>\$289,277</u>	<u>\$140,226</u>
LONG TERM DEBT:				
Line of Credit	\$ 0	\$ 0	\$ 0	\$ 15,000
LESS - Current				
Maturities	<u>0</u>	<u>0</u>	<u>0</u>	<u>(15,000)</u>
TOTAL LONG TERM DEBT	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
TOTAL LIABILITIES	<u>\$289,277</u>	<u>\$ 0</u>	<u>\$289,277</u>	<u>\$140,226</u>
NET ASSETS:				
Unrestricted:				
Undesignated	<u>\$475,602</u>	<u>\$121,953</u>	<u>\$597,555</u>	<u>\$358,720</u>
TOTAL NET ASSETS	<u>\$475,602</u>	<u>\$121,953</u>	<u>\$597,555</u>	<u>\$358,720</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$764,879</u>	<u>\$121,953</u>	<u>\$886,832</u>	<u>\$498,946</u>

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009
WITH COMPARATIVE TOTALS FOR 2008

	<u>2009</u>			<u>2008</u>
	<u>UNRE- STRICTED FUND</u>	<u>FURNITURE, FIXTURES AND EQUIPMENT FUND</u>	<u>TOTAL</u>	<u>TOTAL</u>
PUBLIC SUPPORT AND REVENUES:				
Public Support:				
Contributions	\$ 400	\$ 0	\$ 400	\$ 200
Fees and Grants				
From Governmental				
Agencies	595,777	0	595,777	432,911
Outpatient and				
Community				
Services	1,412,176	0	1,412,176	1,266,337
Investment/Dividend				
Income	18,640	1	18,641	15,029
Recovery of Bad				
Debts	12,454	0	12,454	12,249
Miscellaneous				
Income	45,949	0	45,949	46,975
(Loss) on Disposal				
of Equipment	0	(124)	(124)	(61)
Unrealized Gain				
(Loss) on				
Investments	<u>638</u>	<u>0</u>	<u>638</u>	<u>(5,109)</u>
 TOTAL PUBLIC SUPPORT AND REVENUES	 <u>\$2,086,034</u>	 <u>\$ (123)</u>	 <u>\$2,085,911</u>	 <u>\$1,768,531</u>
EXPENSES:				
Program Services:				
Outpatient and				
Community				
Support				
Services	\$1,144,052	\$ 0	\$1,144,052	\$1,053,897
Special Program				
Costs	<u>40,986</u>	<u>0</u>	<u>40,986</u>	<u>81,849</u>
 TOTAL PROGRAM SERVICES	 \$1,185,038	 \$ 0	 \$1,185,038	 \$1,135,746

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009
WITH COMPARATIVE TOTALS FOR 2008

	2009			2008
	UNRE- STRICTED FUND	FURNITURE, FIXTURES AND EQUIPMENT FUND	TOTAL	TOTAL
EXPENSES - CONTINUED:				
Supporting Services:				
Management and General	<u>642,502</u>	<u>19,536</u>	<u>\$ 662,038</u>	<u>554,152</u>
TOTAL EXPENSES	<u>\$1,827,540</u>	<u>\$ 19,536</u>	<u>\$1,847,076</u>	<u>\$1,689,898</u>
CHANGES IN NET ASSETS FROM OPERATIONS	\$ 258,494	\$ (19,659)	\$ 238,835	\$ 78,633
OTHER CHANGES:				
Equipment Acquisitions (Net of Disposals) From Unrestricted Fund	(79,905)	79,905	0	0
Transfer of Funds From Unrestricted Fund	(2,403)	2,403	0	0
NET ASSETS AT BEGINNING OF YEAR	<u>299,416</u>	<u>59,304</u>	<u>358,720</u>	<u>280,087</u>
NET ASSETS AT END OF YEAR	<u>\$ 475,602</u>	<u>\$121,953</u>	<u>\$ 597,555</u>	<u>\$ 358,720</u>

See accompanying notes to financial statements

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009
WITH COMPARATIVE TOTALS FOR 2008

	2009		
	<u>PROGRAM SERVICES</u>		
	ADM	SIOUXLAND	OUTPATIENT AND COMMUNITY SUPPORT SERVICES
	<u>GRANT</u>	<u>AGING SERVICES</u>	<u>SERVICES</u>
Salaries and Wages	\$ 7,801	\$ 10,084	\$ 521,058
Employee Benefits and Payroll Taxes	3,543	5,367	211,984
Employee Travel and Transportation	<u>176</u>	<u>1,384</u>	<u>17,308</u>
TOTAL SALARIES AND RELATED EXPENSES	\$ 11,520	\$ 16,835	\$ 750,350
Contracted Services	590	0	283,424
Professional Development	1,625	0	3,941
Supplies, Books and Literature	2,000	1,350	29,551
Telephone	0	1,700	19,201
Postage	0	1,000	7,172
Repairs and Maintenance	0	0	0
Rents	0	2,000	0
Conferences, Conventions and Meetings	0	421	4,718
Membership Dues and Subscriptions	0	0	572
Insurance	0	1,250	24,440
Miscellaneous	0	0	1,806
Advertising and Recruitment	0	695	18,877
Professional Services	0	0	0
Bad Debts	0	0	0
Utilities	0	0	0
Interest Expense	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL EXPENSES BEFORE DEPRECIATION	\$ 15,735	\$ 25,251	\$1,144,052
Depreciation	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL EXPENSES	<u>\$ 15,735</u>	<u>\$ 25,251</u>	<u>\$1,144,052</u>

See accompanying notes to financial statements

<u>2009</u>		<u>2008</u>
<u>SUPPORTING</u> <u>SERVICES</u> <u>MANAGE-</u> <u>MENT</u> <u>AND</u> <u>GENERAL</u>	<u>TOTAL</u> <u>PROGRAM</u> <u>AND</u> <u>SUPPORTING</u> <u>SERVICES</u> <u>EXPENSES</u>	<u>TOTAL</u> <u>PROGRAM</u> <u>AND</u> <u>SUPPORTING</u> <u>SERVICES</u> <u>EXPENSES</u>
\$323,159	\$ 862,102	\$ 821,388
25,611	246,505	223,029
<u>12,264</u>	<u>31,132</u>	<u>30,121</u>
\$361,034	\$1,139,739	\$1,074,538
24,176	308,190	280,182
142	5,708	11,924
1,028	33,929	17,930
621	21,522	18,908
0	8,172	5,420
25,775	25,775	23,451
99,460	101,460	88,840
2,514	7,653	9,692
9,074	9,646	5,404
0	25,690	25,410
1,063	2,869	2,912
0	19,572	15,785
37,035	37,035	32,527
61,906	61,906	39,792
18,674	18,674	18,101
<u>0</u>	<u>0</u>	<u>1,692</u>
\$642,502	\$1,827,540	\$1,672,508
<u>19,536</u>	<u>19,536</u>	<u>17,390</u>
<u>\$662,038</u>	<u>\$1,847,076</u>	<u>\$1,689,898</u>

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009
WITH COMPARATIVE TOTALS FOR 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 238,835	\$ 78,633
Adjustments to Reconcile Change in Net Assets to Net Cash Used for Operating Activities:		
Loss on Sale of Equipment	124	61
Depreciation	19,536	17,390
Net Unrealized (Gain) Loss on Investments	(638)	5,109
(Increase) Decrease in:		
Accounts Receivable	49,091	(62,281)
Other Receivables	130,921	(56,111)
Grant Receivables	(4,090)	12,947
Prepaid Expenses	94	(123)
Increase (Decrease) in:		
Accounts Payable	6,336	(3,164)
Deferred Grant Revenue	157,758	0
Payroll Taxes Payable	1,856	1,557
Accrued Salaries	10,403	13,158
Accrued Pension Payable	(12,119)	(2,373)
Accrued Interest Payable	<u>(183)</u>	<u>(364)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u>597,924</u>	\$ <u>4,439</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Equipment	\$ <u>(82,308)</u>	\$ <u>(21,558)</u>
NET CASH (USED) BY INVESTING ACTIVITIES	\$ <u>(82,308)</u>	\$ <u>(21,558)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Line of Credit Repayments	\$ <u>(15,000)</u>	\$ <u>(15,000)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	\$ <u>(15,000)</u>	\$ <u>(15,000)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 500,616	\$ (32,119)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>35,919</u>	<u>68,038</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 536,535</u>	<u>\$ 35,919</u>

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009
WITH COMPARATIVE TOTALS FOR 2008

	<u>2009</u>	<u>2008</u>
COMPONENTS OF CASH AND CASH EQUIVALENTS:		
Cash on Hand	\$ 2,700	\$ 1,193
Cash in Savings and Money Market Funds	<u>533,835</u>	<u>34,726</u>
	<u>\$ 536,535</u>	<u>\$ 35,919</u>
SUPPLEMENTAL DISCLOSURES:		
Interest Paid	<u>\$ 183</u>	<u>\$ 2,056</u>

See accompanying notes to financial statements

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

REPORTING ENTITY - The Center is a nonprofit corporation established to provide a comprehensive community mental health program for the diagnosis and treatment of psychiatric and psychological disorders and to promote the prevention of mental illness. Services are provided to residents of Cherokee, Ida, Plymouth, Sioux and Buena Vista Counties.

The Center is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law, which provide tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes.

FUND ACCOUNTING - The accounts of the Center are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, net assets, revenues and expenses. The various funds are grouped as follows in the financial statements:

UNRESTRICTED FUND - This fund is utilized to account for the daily transactions of the Center that are not properly recorded in another fund.

The Center's Board may designate portions of the current unrestricted fund for specific purposes, projects or investment as an aid in the planning of expenses and the conservation of assets. The Center maintains separate accounts for such designations within the current unrestricted fund and segregates the designated and undesignated portions of the fund within the net assets section of the balance sheet.

FURNITURE, FIXTURES AND EQUIPMENT FUND - This fund is established to account for all furniture and equipment of the Center and provide funds for replacements.

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

FURNITURE, FIXTURES AND EQUIPMENT - Furniture and equipment is stated at cost. Expenditures for additions and betterments are capitalized, while expenditures for maintenance and repairs are charged to expenses as incurred. The cost of assets retired or sold and the related accumulated depreciation are eliminated from the accounts in the year of disposal, with the resulting gain or loss credited or charged to operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. No interest costs were capitalized since there were no qualifying assets.

BASIS OF ACCOUNTING - Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

Purchases of fixed assets providing future benefits are directly charged against the unrestricted fund balance and capitalized in the furniture, fixtures and equipment fund.

BASIS OF PRESENTATION - Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Center and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

CASH AND CASH EQUIVALENTS - The Center considers cash on hand and demand deposits in banks as cash, and certificates of deposit with original maturities of three months or less as cash equivalents. There were no cash equivalents at June 30, 2009 and 2008.

RECEIVABLES - Receivables are shown at the amount expected to be collected after determining the allowances for doubtful accounts based on an aging of all the individual patient balances.

MARKETABLE EQUITY SECURITIES - The Center's marketable securities are classified as available for sale and consist of equity securities that have a readily determinable fair market value. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such determinations at each balance sheet date.

Realized gains and losses on all marketable securities are determined by specific identification and are charged or credited to current earnings.

ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

DONATED MATERIALS - Donated materials are recognized as contributions and valued at fair market value at receipt.

COMPENSATED ABSENCES - Center employees accumulate a limited amount of earned but unused vacation benefits payable to employees. Amounts representing the cost of compensated absences are recorded as liabilities and have been computed based on rates of pay in effect at June 30, 2009 and 2008.

PROMISES TO GIVE - Contributions are recognized when the donor makes a promise to give to the Center that is, in substance, unconditional.

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

NET PATIENT SERVICE REVENUE - Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

TOTAL COLUMN - The total column on the statement of financial position and the statement of activities is presented to facilitate financial analysis. Data in these columns does not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - INVESTMENTS:

Cost and fair market value of marketable securities available for sale at June 30, 2009 and 2008 are as follows:

<u>YEAR</u>	<u>COST</u>	<u>UNREALIZED LOSSES</u>	<u>FAIR VALUE</u>
2009	\$ 28,619	\$ 7,764	\$ 20,855
2008	\$ 28,619	\$ 8,402	\$ 20,217

NOTE 3 - DESCRIPTION OF LEASING ARRANGEMENTS:

OPERATING LEASES:

The Center rents space for the Le Mars and Cherokee offices under noncancellable operating leases. The Center also rents space from Buena Vista Regional Medical Center under a noncancellable operating lease. The Center rents two copiers for the Le Mars and Cherokee offices under a noncancellable operating lease, which expires May 10, 2010. The operating lease expense under noncancellable operating leases was \$89,770 and \$87,040 for the years ended June 30, 2009 and 2008, respectively. The following schedule shows the minimum future rental payments due under the leases.

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 3 - DESCRIPTION OF LEASING ARRANGEMENTS - CONTINUED:

<u>YEAR ENDED</u>	<u>AMOUNT</u>
2010	\$ 89,770
2011	87,385
2012	87,385
2013	76,541
Thereafter	<u>0</u>
 TOTAL	 <u>\$341,081</u>

The Cherokee and LeMars offices sublease a portion of their office space. Total rent earned for the years ended June 30, 2009 and 2008 was \$24,696 and \$23,838, respectively.

NOTE 4 - CONTINGENCIES:

Sick leave hours were converted to Paid Time Off (PTO) in fiscal year 2008 at the rate of one sick leave hour equals .25 PTO hours. PTO includes vacation and converted sick leave. A terminated employee may be paid up to a maximum of 160 hours. During a transition period that ends December 31, 2010, an employee could have more than 160 hours of PTO accrued. The Center's appropriate maximum liability for unrecognized accrued employee benefits at June 30, 2009 and 2008 was \$5,793 and \$9,868, respectively.

NOTE 5 - PENSION PLAN:

Effective June 1, 1996, the Center adopted a profit sharing pension plan covering substantially all of its full-time employees. The Center contributes 5% of covered employees salaries. Pension expense amounted to \$23,654 and \$26,004 for 2009 and 2008, respectively. Previously the Center had a defined contribution pension plan. Plan assets remain in this plan but no new contributions will be made.

NOTE 6 - OTHER ASSETS:

The Center has joined with other similar agencies to form Tri-State Behavioral Health Association. This is a nonprofit group formed to benefit its members. The original investment was \$11,000. It is carried at cost.

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 7 - RISK MANAGEMENT:

Plains Area Mental Health, Inc. is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. These risks are covered by commercial insurance purchased from independent third parties. The Center assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

NOTE 8 - NOTE PAYABLE:

Plains Area Mental Health, Inc. has a line of credit for up to \$50,000 with First National Bank of LeMars. The balance on the note at June 30, 2009 was \$-0-. The line of credit is dated November 3, 2008 and expires on October 15, 2009. The interest rate at June 30, 2009 was 5.0%.

SUPPLEMENTAL INFORMATION

PLAINS AREA MENTAL HEALTH, INC.
 LE MARS, IOWA
 SCHEDULE OF FEES AND GRANTS FROM GOVERNMENTAL AGENCIES
 FOR THE YEAR ENDED JUNE 30, 2009
 WITH COMPARATIVE TOTALS FOR 2008

	<u>2009</u>	<u>2008</u>
COUNTY ALLOTMENTS:		
Plymouth County, Iowa	\$194,149	\$191,280
Cherokee County, Iowa	86,358	101,964
Ida County, Iowa	49,139	43,292
Buena Vista County, Iowa	134,188	0
Other Iowa Counties	<u>2,605</u>	<u>1,208</u>
	<u>\$466,439</u>	<u>\$337,744</u>
ADM GRANT:		
Department of MH/MR/DD	<u>\$ 32,583</u>	<u>\$ 51,002</u>
ELDERLY PEER GRANT:		
Siouxland Aging Services	<u>\$ 15,000</u>	<u>\$ 12,000</u>
HEAD START GRANT:		
Mid-Sioux Opportunity, Inc. Head Start Program	<u>\$ 8,000</u>	<u>\$ 8,000</u>
JAIL SERVICES	<u>\$ 6,075</u>	<u>\$ 2,025</u>
FAMILY TEAM	<u>\$ 0</u>	<u>\$ 2,140</u>
COMMUNITY FOUNDATION GRANT	<u>\$ 1,078</u>	<u>\$ 0</u>
TELEHEALTH GRANT	<u>\$ 54,632</u>	<u>\$ 0</u>
PLYMOUTH COUNTY LOST FUNDS	<u>\$ 0</u>	<u>\$ 20,000</u>
REWARD FOR QUALITY	<u>\$ 11,970</u>	<u>\$ 0</u>
	<u>\$595,777</u>	<u>\$432,911</u>

See accompanying independent auditors' report

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Plains Area Mental Health, Inc.

We have audited the financial statements of Plains Area Mental Health, Inc., LeMars, Iowa, as of and for the year ended June 30, 2009, and have issued our report thereon dated August 27, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Plains Area Mental Health, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Plains Area Mental Health, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Plains Area Mental Health, Inc.'s internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Plains Area Mental Health, Inc.'s ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Plains Area Mental Health, Inc.'s financial statements that is more than inconsequential will not be prevented or detected by Plains Area Mental Health, Inc.'s internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Plains Area Mental Health, Inc.'s internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item (A) is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Plains Area Mental Health, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of non-compliance or other matters that is described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Center's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Center. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. Comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Plains Area Mental Health Inc.'s responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we expressed our conclusions on the Center's responses, we did not audit Plains Area Mental Health, Inc.'s responses and accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of Plains Area Mental Health, Inc. and other parties to whom the Center may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Plains Area Mental Health, Inc. during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BURKHARDT & DAWSON, CPA's

Certified Public Accountants

August 27, 2009

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

SIGNIFICANT DEFICIENCIES:

- (A) Segregation of Duties - During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Center's financial statements. We noted one individual has custody of receipts and performs all recordkeeping and reconciling functions for the office.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the Center should review the operating procedures to obtain the maximum internal control possible under the circumstances.

Response - The Center segregates duties to the best of its ability with the limited number of staff employed.

Conclusion - Response accepted.

- (B) Capitalization Policy - Policy is to capitalize purchases over \$250. Purchases were capitalized that were under \$250.

Recommendation - The Center should follow its capitalization policy or update the policy.

Response - These were large groups of purchases for the new location in Storm Lake. Greater care will be taken in categorizing capital expenditures.

It has been recommended that we increase the amount of an item that needs to be capitalized. This will be reviewed.

Conclusion - Response accepted.